The business strategy from employee perspective

A qualitative study of using the business strategy as a control tool at a parallel import company of pharmaceuticals.

Written by: Louise Hardne
Summary

The purpose of this thesis is to analyse how the business strategy is communicated by the senior management and interpreted by the employees at a parallel distribution company of pharmaceuticals. These knowledge intense organizations are characterized by complex and ambiguous work tasks. Traditional management control theories are based on the assumption that managers should create rules, order and norms to control their employees. But in complex organizations it is difficult for the senior management to understand the entire work flow and different form of control mechanisms are requested. Recent studies have shown that vertical directions often are questioned and translated by the employees at the horizontal level within complex organizations. This is a fairly new way of looking at management control and more research is required, which this thesis aims at providing. The business strategy is often created by the senior management to control and direct the employee behaviour, and internal communication is often used to implement the strategy at the horizontal level. Drawing from this it is interesting to focus on the business strategy from employee perspective, to analyse how the employees questions and translates the business strategy to fit their work.

The thesis has a qualitative and deductive approach. 14 interviews are conducted. One with the senior manager and 13 with the employees at the horizontal level. The findings suggest that different form of knowledge work require different form of control mechanisms. Some employees interpreted the strategy the same way the senior management did and some questioned and translated the strategy to be more suitable for their own work. The pharmacists questioned the strategy while the sale force worked according to it. The findings also suggest that in order for the strategy to act as a control tool the content is important and needs to reflect the employees work.

Keywords

Management control, horizontal operative control, knowledge work, strategic communication
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1. Introduction

This thesis aims at investigating how the business strategy is communicated and interpreted by the employees at a parallel import company of pharmaceuticals that operates in Denmark, Sweden and Finland. The parallel import of pharmaceuticals is characterized by a complex and knowledge-intensive environment. The industry changes a lot and is heavily dependent on the market and the prices. Firms within the parallel import industry need to handle both pharmaceutical issues and market-related issues. This leads to a great demand on the employees. Companies within this field need to rely on the competence and productivity of their workers to a large extent. The employees need to handle both governmental regulations and rapid-changing markets. Furthermore, since this company operates in an international context, they are dependent on several countries' regulation systems and several changing markets. It is a big challenge for the employees to handle both slow-moving bureaucratic authorises and at the same time be flexible with the market changes. The company is therefore depends on the employees' competence and knowledge.

It is difficult for the senior management to create a suitable management control tool when the work tasks are advanced and complex. The managers might not have all the information that is necessary to understand the work at the operative level. They must rely on the competence of their workers, because it is the employees who have the knowledge about how work is done in practice. They are therefore facing problems to control their employees with formal rules and orders that is characterized by traditional management control. These forms of complex organizations require other forms of control mechanisms than the former hierarchical and bureaucratic organizations (Otley, 1994). Traditional management control is about observing and monitoring behaviours of the employees and the output of their work, something that does not suit complex organizations (Abernethy & Soelwinder, 1994; Kärreman & Rennstam, 2014).

As mentioned before, the parallel import industry of pharmaceutical is complex and volatile. It is a tough process to launch a new product. It is a process that depends on all the departments within the company. Some try to handle difficult regulations and manage the authorities, while others try to handle market and price change at the same time. It is therefore hard for the senior management to create a tool that controls the entire process, also because
the process to launch a new product changes so much over the course of time. The senior management must therefore rely on their employees and that they work towards the organization’s interest.

Prior studies have mainly focused on control mechanisms from management perspective. There is a lot of studies about how the managers should control their employees with orders and rules to reach the organizational goal. These theories are hard to implement in a knowledge intense society with a lot of environmental changes, where the work is hard to supervise (Otley, 1994). Scholars within the management control have tried to expand the research field to be more suitable for today's society. Recent studies have therefore focused more on how to control knowledge work. This has led to a focus on identity- and normative control, meaning that norms are created in social practice to aligning the employees’ identities with the organizations. But even these scholars have a management perspective and focuses on how the managers could create norms to control their employees. There is only little literature on what actually happens in practice with the employees when works get done. There is a lack of vocabulary for explaining control mechanisms where they should be visible, at the horizontal operative level. Kärreman and Rennstam (2014) have developed a new theory to face this problem where they focus control mechanisms at the horizontal level. They argue that vertical orders are often questioned and translated by the employees and that another form of control takes place at the operative level that is dependent on the employees’ interpretation. They do not deny that vertical control exists. They mean that in today’s knowledge society it is hard for the managers to develop control mechanisms suitable for complex work and that the employees therefore need to use their knowledge to translate the directives to be more suitable for their work tasks. This way of thinking is new within management control theory and more research is required. These forms of horizontal control have emerged from knowledge work within complex organizations and the parallel import company studied here is therefore an interesting empirical object.

A business strategy is often created by the senior management to control and direct the employees’ behaviour. The senior management often use the internal communication to spread the strategy within the organization. Some scholars within the internal communication field argues that the main goal for the internal communication is to align the employees with the strategic intent of the organization, and that internal communication is effective only is handled strategic (Hume & Leonard, 2013). Using internal communication to spread the
strategy can be seen as a way of controlling the employees, to direct the employees’ behaviour according to the strategy. For the internal communication to be viewed as strategic the employees need to incorporate the strategic intent in their daily work. But for them to do this they need to actually understand the content of the strategy, where it is coming from and where it is taking them (Puth, 2002). Some scholars argue that strategic communication is based on symmetrical social interaction and that the consciousness of the strategy is attained through an on-going dialogue and re-development of the strategy between the employees and the organization. They therefore emphasise that the employees should be a part of the creation and communication of the strategy (Verwey, 2003; Hume & Leonard, 2013). Other scholars have a different view of strategic communication than those who favour employee participation when it comes to strategic questions. In many organisations the communication of the strategy is a predominantly one-way process and these scholars do not see this as a problem. They argue that this is unavoidable and necessary, and that it is unrealistic to suggest that corporate communication can be obtained in a two-day dialogue. They argue that strategic communication is often, if not always, done by controlled media. Meaning that senior managers control the content, format and channel of the message. Based on prior research authors have seen controlled mediated communication such as written publication as least preferable by the employees, and two-ways dialogue as most preferable (Welch & Jackson, 2007). Drawing from Kärreman and Rennstams (2014) about horizontal operative control it might not even be a problem if the strategy is communicated in a one-way process. Based on their study the employees within the parallel import company would interpret the business strategy at the horizontal level to be more suitable for their own work. Even though the business strategy is vertical communicated the employees would communicate and interpret the business strategy together with their employees at the same level. More research within the field is requested. The business strategy has never been studied before from this angle. It is therefore interesting to analyse how the strategy first is vertical communicated and then horizontal interpreted, and to analyse if there are any differences between the vertical and the horizontal view of the strategy.

1.1 Purpose and thesis question

This thesis aims at investigate how the business strategy is communicated and then interpret by the employees at a parallel import company of pharmaceuticals. The purpose is to develop the research field of horizontal operative control, meaning to see how vertical directives such
as the strategy is questioned and translated at the operative level within a complex organization.

### 1.1.1 Thesis question

How is the business strategy communicated and then interpret by the employees at an international parallel distribution company?

To answer the purpose and research question of the thesis 14 interviews are conducted at a parallel import company of pharmaceuticals. The thesis has a deductive approach and the method is designed to develop and question already existing theories within management control. The result is of importance for both the research field and the empirical object.

### 2. Theory

This section first describes why practice theory is preferable when analysing organizational phenomena. The second part describes the history of management control. It shows that there is a focus on management perspective and a literature gap of employee and horizontal perspective. Then strategic communication is presented as a way of controlling the employees and an analytic tool is presented to be able to analyse the communication flow within the organization. These theories are selected to answer the research question and to give a balanced view of recent studies related the research field. The theories are based on prior studies within the field and are assumed to be valid.

#### 2.1 Practice theory

Practice theory has gained a strong position within organization theories. Practice theory promotes a focus on the processes and work that happen in practice. It is in the practice that social orders and knowledge are shared and created. This approach is preferably because it focuses what the employees actually do with the vertical orders, namely the business strategy. Furthermore, it does not deny that vertical orders exist rather if focuses on what happens when they are executed. It is necessary to analyse the vertical decisions where they should be observable, at the operative level. Meaning that it is in the operative that the effect of the strategy should be evident.
Broadly speaking one can describe practice theory as the social life that is created through peoples’ repetitive social interaction. It is hard to describe an exact definition of practice theory since there are many aspects of it, although they have some similarities (Feldman and Orlikowski 2011). First, situation based actions are viewed as the something that creates social structure. Bourdieu’s concept habitus is one example, which means that the social order is permanent implemented in the human body. It is about how the human interpret the social world and then react to it. Bourdieu (1990, p. 57) explains habitus with *generative principle of regulated improvisations, which reactivates the sense objectified in institutions*. This way of thinking of social structure is also evident among Giddens work. He sees practices as social structures that both hinder and enables social actions (Giddens, 1984). Schatzki (2002) also describes that it is the human activities that constitute social order. The similarities can be seen as a human orientation on social order, that practice is caused by human activity.

Furthermore, practice theory declines dualism. Relationships that prior has been viewed dichotomously are believed to exist in synergism. Like the mind and the body, the structure and the agency, and the individual and the institution. The habitus are seen as something that transcend the individual and the society. Giddens (1984) focus on to exceed the structure and the agency. Practice theory also focuses on the fact that everything exists as a mutual interaction structure, that everything exists in relation to each other. Giddens (1984) point out the relationship of agency and structure for example, meaning that action creates structure and structure create actions. Bourdieu (1990) also highlights the importance of the relationship, the habitus and practice recreate each other.

Feldman and Orlikowski (2011) argue that there are three way of studying practice in relation to organization. First there is the empirical approach, which highlights people’s actions and the belonging outcomes. This approach belongs to the question “what”, it is focused on the activities within organizations. The second approach has a theoretical view and it focuses on the explanation of activities, it answers the question “how”. The theoretical approach is based on role figures in sociological research, such as Bourdieu, Giddens and Schatzki. The third approach is the philosophical approach, which answers the question “why”. It is based on the assumption that social reality is made of practices and that the social world exists through every day activities. It is necessary to focus on social activates because it is the building blocks of the world we live in.
Using practice theory within organizational research is highly preferable when focusing on the business strategy. Strategy should focus and reflect what people do in practice, and not be viewed as something that an organization has. Even if there is a pronounced strategy it does not reflect what the employees actually do. This motivates the option to analyse the strategy with practice theory. This study mainly focuses on the empirical approach of practice theory. The research question is about the activities within the organization, and therefore answers the question “what” according to Feldman and Orlikowski (2011).

2.2 Control within complex organizations

Traditional control theories are developed in the 1960s. They are based on large hierarchically structured organizations (Otley, 1994). Traditional theories are based on the assumption that managers create orders and rules to control their employees. Management control has been viewed as the manager’s ways of controlling that the resources are used effectively to reach the organization’s goal. It has therefore focused on the managerial activities and not the employees’ activities (Otley, 1994).

In the 1990s there were a lot of changes in the business and social environment. In today’s society firms are operating in an environment where the future is hard to predict, there is another level of uncertainty. Alternative control functions are needed since there are obstacles for organizations to control the future. The size and the structure of the organizations have also changed. The numbers amount of middle managers has decreased and they now have more responsibilities than before. Furthermore, it is also more common that work is organized around project groups and in teams. This causes a different demand on the management control and a need for a focus on operative control (Otley, 1994). Work has become knowledge intense and organizations are depended on the creativity and productivity of their employees. This causes a demand for different control mechanisms than the traditional ones. Identity- and normative control came as a solution to control knowledge work. It focuses on creating a business culture that aligns the employees’ identity with the organization’s (Kunda, 1992). Although these theories are also created from management perspective. It focuses on how managers should create norms that the employees should follow in the interest of the organization. Theories regarding self-control has become popular to face the problems with complex and ambiguous work tasks. The employees are seen as competence professionals that structure and control their own work, and their behaviour and actions are influenced by
the norms of the profession. (Kirsch, 1996). Drawing from this there is a clear change in the management control literature. From a traditional view that focuses on how managers can control their employees with orders and rules to an approach that focuses on the knowledge and self-governance of the employees.

Kärreman and Rennstam (2014) argues that there is a gap in the literature. The research is still based on the assumption that the manager should control the employees’ behaviour. The research is not based on the assumption that the employees know best since they have the knowledge of how works get done at the operative level. They argue that there is a need for horizontal control at the operative level. The self-control by professionals might seem similar to horizontal control. But theories of controlling professional focus more on institutional aspects such as the belonging norms of professions. There is still a lack of research on the operative practice and the control that emerges when work gets done. Kärreman and Rennstam (2014) has therefore created a theory that focuses on the control that emerges at the operative level. They argue in their study that operative control usually happens alongside with vertical control, meaning that there is a link between vertical control and horizontal practice. Their study is based on the assumption that vertical control becomes horizontal when employees incorporate it in their daily work. The vertical control is in place but it is circumnavigated by the employees at the operative level. They argue that this happens in three steps. First there is constructive disobedience, meaning that the work force breaks the directives in favour of a more productive way. This disobedience initiates the second step, translation. The employees translate the rules and orders to fit their work tasks. The final step is the peer reviewing, it is the control that takes place at an operative level when a member evaluates and discusses another member’s work.

Workers might need to disobey impossible directions given from above and translate them into their own operative practice. This should not be seen as a resistance to the management. Resistance is a way of rebellion that hinders the work, this only changes the direction and way of working. It is rather a negotiation of the vertical directives that actually enables the employees to follow the direction some how. Management might not have all the knowledge about the work flow and the directives might not be the best for the organization. Kärreman and Rennstams (2014) study does not criticise management control, it highlights that expert knowledge and the interaction at the operative level is crucial when structuring knowledge intense work.
Future research on horizontal operative control is requested. There is a need to investigate what happens with vertical control in horizontal practice, which this thesis aims at providing. Kärreman and Rennstams study is executed within a specific industry, making it interesting to analyse if their findings suit another knowledge intense industry as well. Furthermore, their study is not based on the business strategy as control tool, making it a new research topic.

2.3 Internal strategic communication

2.3.1 Background of strategic internal communication

Verčiča, Verčičb and Srirameshc (2012) argued in their research that aligning the goals of employees with the organizational goals is a task for the internal communication. This view of internal communication is called strategic communication. Hume and Leonard (2013) argues that the internal communication is effective, and only effective if it is handled strategic. Without a strategic view of communication, the organizational mission will be hard, if not impossible, to reach. Although for the internal communication to be viewed as strategic it needs to obtained several factors. First of all, the main purpose of the internal communication must be alignment between the employees and strategic intent. Puth (2002) argues that this is maintained through dialogue about the strategy at all levels. This creates a consciousness of the business strategy and the employees will interpret and implement the intent in their daily work. Puth (2002) has developed four topics that needs to be communicated when creating strategic alignment. First of all, there need to be an understanding of the context of the development of the strategy. Furthermore, there need to be a clear view of where the strategy is taking them, where the organization is at the moment and how they are going to get to the final destination. Hence the clearness of the intent that is communicated is necessary. Furthermore, it is believed that the employees need to be a part of the strategy development (Verwey, 2003). This can be obtained through an on-going dialogue regarding the strategy to re-develop and re-align the strategy with the organizational environment. Therefore, the internal communication must have a position in the management of the organization (Hume & Leonard, 2013). The trend of seeing the employees as a part of the strategic communication is questioned by some scholars. They argue that it is necessary that the strategic communication is mainly one-way since it will be impossible for the management to talk about the strategy with every member of the organization. The main
criticism of this approach is that the employees then find it hard to understand the strategy and they often find it to abstract to be suitable for their work (Welch & Jackson, 2007)

2.3.2 Internal communication matrix

Since the research question highlights the strategic communication flow from vertical to horizontal it is necessary to have a theoretical investigation tool that enables us to analyse the internal communication at the parallel distribution company. Welch and Jackson (2007) have developed an analytic tool for classifying and examine the internal communication in a company. It is divided into two dimensions, one vertical and one horizontal. Since there is both a vertical and a horizontal view of the strategic communication this analytic tool suits the thesis research question. Their analytic tool can assume to be valid because it is developed from prior theories and research within the field.

Welch an Jackson (2007) identify different employee groups to include the whole organization in the communication chart. First there is the strategic management such as the top managers. Second is the day-to-day managers such as the supervisors and middle managers. Third is the work teams such as departments. Finally, there is the project teams within the organization. Welch & Jackson (2007) then creates four dimensions of the internal communication surrounding these employee groups. These dimensions consist of; the internal line manager communication, internal team peer communication, internal project peer communication and internal corporate communication. These dimensions are then used to create an internal communication matrix that includes the level in the hierarchy structure, the direction of the communication, the participant in the communication and finally the content of what is communicated. As can be see in the matrix below the communication can be divided into one horizontal part and one vertical part. The vertical part consists of the one-way communication of the strategy and corporate issues. This is often a one-way communication from the top managers to the employees. The second part in the vertical dimension the the line management communication. It focuses on the communication that take place with the employee and the line manages, mainly focusing on the performance of the employee. This thesis has a horizontal approach which leads to a great focus on the two other dimensions. How the employees talk to each other about the business strategy in internal team and project groups.
3. Method

3.1 Method choice

It is hard to describe social interaction and peoples’ interpretation using a quantative method. With a qualitative approach we are able to understand the mechanisms behind organizational phenomena, namely how the employees use the business strategy. A survey was first thought of but to get honest answers from a survey the respondents need to have a clear opinion of the subject (Ahrne & Svensson, 2015, p.12). This is not the case since the thesis subject is complex and hard do describe with survey questions. Furthermore, since this thesis is based on practice theory it is important to actually investigate what happens practice. It will be hard to reach work related situations with a survey. An observation study was also thought of since it captures hidden processes as well, and not only the official statements (Ahrne & Svensson, 2015, p. 9). But since the business strategy might not be visible in the daily work this approach was rejected. Interviews are a good option at answer the thesis question, since it captures social relationships and gathers a deeper knowledge about the employees point of view (Ahrne & Svensson, 2015, p. 37). It is easy to capture a lot of peoples’ opinions of a specific subject with interviews, which motivates the method choice. A text analysis of organizational documents was also performed to understand the vertical communication of the strategy.

Table that shows the internal communication matrix

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Level</th>
<th>Direction</th>
<th>Participants</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal line management communication</td>
<td>Line managers/supervisors</td>
<td>Predominantly two-way</td>
<td>Line managers-employees</td>
<td>Employees’ roles</td>
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<tr>
<td>2. Internal team peer communication</td>
<td>Team colleagues</td>
<td>Two-way</td>
<td>Employee-employee</td>
<td>Project information, e.g. project issues</td>
</tr>
<tr>
<td>3. Internal project peer communication</td>
<td>Project group colleagues</td>
<td>Two-way</td>
<td>Employee-employee</td>
<td></td>
</tr>
<tr>
<td>4. Internal corporate communication</td>
<td>Strategic managers/top management</td>
<td>Predominantly one-way</td>
<td>Strategic managers-all employees</td>
<td>Organisational/corporate issues, e.g. goals, objectives, new developments, activities and achievements</td>
</tr>
</tbody>
</table>

Table I. Internal communication matrix
3.2 Selection

First of all, problem background points out that a complex organization and knowledge work require other forms of control. This makes it necessary to focus on a complex industry with highly educated professionals. The parallel import industry of pharmaceuticals has not been studied with this perspective and motivated the empirical object choice (Ahrne & Svensson, 2015, p. 22).

When choosing respondents to interview the best way is to make a random selection of the employees. Otherwise there is a risk that the selection is manipulated by the company, because they might choose people they think will spread a positive image of the company. But to capture possible differences between countries and departments, it was necessary to get some inside information (Ahrne & Svensson, 2015, p. 40-41). The selection was therefore made together with the HR-manager and the Swedish manager. Both of them were positive towards the thesis subject and wanted to improve the strategic communication. The selection can therefore be assumed to be valid and not manipulated. There was a total of 14 interviews with employees from every department in every country. Since there are only 65 employees this amount is considered sufficient to capture the opinions of every department. Furthermore, the senior manager was also selected to provide insight in the development of the strategy. Two more respondent should have been interviewed but they had a business schedule and could not find time for an interview. But one can assume that this does not affect the result since they wanted to reschedule the interview to another week. But due to the time limit this was not possible.

3.3 Approach and questionnaire

The aim of this thesis is to develop and provide further research on already existing theories within management control. This is done by investigating how the the employees with complex work tasks uses the business strategy. Namely to analyse if they are controlled by it in a traditional way or if they translate and question it at the horizontal level. By using this specific perspective this thesis has a deductive approach. Meaning that existing theories guides the purpose, the research question and the questionnaire. The theoretical background guides the focus of the questionnaire (Ahrne & Svensson, 2015, p. 217-218). The questions are semi-structured to capture both the theories and the employees’ deeper interpretation.
Some form of structure is required for a deductive thesis, because it is important to actually ask questions that reflects the theories. But since the thesis also focus on the employees’ interpretations and opinions there need to be room for follow up questions and further explanation of the questions if necessary (Ahrne & Svensson, 2015, p. 37-39). The thesis is based on the employees’ interpretation of the strategy and most questions were focused on that. The questions were formulated to get access to specific situations when they have talked about or used the strategy, to get information about what actually happens in practice. Furthermore, there was a focus on whether they follow the strategy or not. These questions were asked to analyse whether they use the strategy according to traditional management theories or according to recent theories regarding horizontal operative control. For an interview to be successful the interviewer need to be friendly and show interest in the respondent’s opinion (Ahrne & Svensson, 2015, p. 45). Questions about the employee’s work were therefore asked. Both the capture necessary information but also to show interest in their work. The purpose of the thesis requires knowledge of the senior manager’s view of the strategy as well. To analyse if there are any differences between the vertical and the horizontal view of the strategy. The questionnaire with the senior manager focused on receiving information about the strategy and what the strategy is created for, and if it is created to control the employees. This interview was more of a discussion about the strategy.

3.4 Data collection and analysis

The company has offices in three countries. Because of this it was not possible to make face-to-face interviews with all respondents. Instead skype interviews were used. This is the company’s main way of doing. Therefore, it was considered as no problem. It was rather considered as a way to understand how they communicate, which is actually a part of the research question. Three of the respondents worked at the Swedish office, meaning that three face-to-face interviews were held. This might lead them to answer the questions in different ways, since the face-to-face respondents are much more exposed to the interviewer effect (Mårtensson, 1991, p. 205). Although this was not considered to be a problem since the questions were focused on their opinions and not sensitive information. It was rather considered an opportunity for methodological discussions regarding possible differences.

In order to minimize a biased selection and a large non-response a well thought out email was formulated. This email explained the research subject in short, how long the interview will
last, that the respondents are anonymous and that the questions are simple and easy to answer. This email was based on Vetenskapsrådets four main demands regarding information, consent, confidentiality and the use of the thesis (Vetenskapsrådet, 2002).

The first interview was held with the senior manager for approximately 40 minutes. The interview contained a description of the company as well as the strategy. This interview was held before the interviews with the employees. It was necessary to have the interview with the senior manager first since the interviews with the employees required knowledge about the strategy and organization structure. After that 13 interviews were carried out with the employees for approximately 30 minutes each. The interviews were friendly and open. Since the research question focus on the employees point of view the questions were asked to be answered in the employees own words (Ahrne & Svensson, 2015, p. 46).

The interviews were recorded and transcribed. The language was modified a bit to make it easy to read. Because the company wants to be anonymous the answers were modified to not include the company name, rather be referred to as “the company” (Ahrne & Svensson, 2015, p. 51-52). The next step was to sort the material. This was made with a theoretical lens. The patterns of the answers could first be divided in two different groups. The first one was the answers that focused on traditional management. It was those who used the strategy in their work and could be viewed as vertically controlled. The second group was the answers that focused on horizontal control. Those who rejected or questioned the strategy. Furthermore, other answers that felt important for the research question were sorted to a group. The next step was to reduce the material to a manageable amount with the theories in mind. The outcome was then used to argument already existing theories (Ahrne & Svensson, 2015, p. 220-221).

3.5 Methodological discussion

A big issue with interviews is that one can not be sure that people actually do what they say they do. The respondents could convey a distorted image of their reality. To avoid this, it was important to communicate that the thesis is only based on their point of view to get more honest answers. By asking situation based questions one can assume that a fair picture of their reality is attained. The result from interviews reflect a certain place and a certain time. The respondents could have a different agenda which could affect the answers. It is often
recommended to complement with observations (Ahrne & Svensson, 2015, p. 53-54). This was hard to do since the headquarter is located in Denmark. Furthermore, the thesis subject could be viewed as critics against the management and their way of controlling their employees. But since the employees did not know the theories behind the study nor the specific purpose one can assume that this was not a problem.

Three of the interviews were held face-to-face and eleven were skype interviews. This might cause a bias in the answers. The face-to-face interviews might have greater problems with the interviewer effect, meaning that they adjust their answers according to what they think is socially desirable (Mårtensson, 1991, p. 205). But since the questions were about their interpretation of the strategy one can assume that no norms or social agendas influenced their answers. There are no right or wrong answers regarding a personal view of the business strategy. Skype interviews might face technical issues. But the techniques were advanced and since it is an international company they work with skype on a daily basis. One aspect that might affect the answer is that the interviewer had worked together with the Swedish employees. But this was rather seen as an advantage than a problem. It was possible to attain more honest and open answers.

The purpose of the thesis is achieved by using a deductive approach with questions based on prior studies and theories. One can therefore assume that the validity is high. A disadvantage with a qualitative approach is that it is not possible to answer if the answers will be exactly the same if somebody replicates the study (Widerberg, 2002, p. 18). But this is not the purpose of the thesis. The purpose is to investigate the study object at a certain time and provide information about their current state. Furthermore, the findings are not generalizable to other contexts. But as before this is not the purpose.

4. Result

4.1 The parallel import of pharmaceuticals

Parallel trade is the purchase of trademarked or patented products in one country, and the export of those products to another country. The parallel import industry exists due to price
changes among different markets within EU. The company base their business on the opportunity to import products to a lower cost than on the domestic market. This causes a lower price for both the patient and the society. This form of business is made possible by the free movements of goods and the free market within EU. The government often influence the prices of the pharmaceutical which makes the price differ between the markets. Even though EU can be viewed as one large free market there are governmental involvement affecting the prices which enables this form of business. Furthermore, pharmaceuticals are valued different in each country due to different social security programs which also is a motivator for these types of businesses.

The company has its headquarter in Denmark. It also operates on the Swedish and Finnish markets with local offices in each country. The company is fully owned by another German parallel distribution company. There is some collaboration between the companies since they work together at the purchase department. But most employees have no or little contact with Germany. Sweden and Finland have both one commercial department, one regulatory department and one finance employee. The regulatory department handle pharmaceutical issues and questions and has a lot of contact with the authorities, the commercial department handle sales, customers and market related issues. The main functions of the business are located in Denmark. The quality department is located in Denmark and they handle quality related issues regarding the pharmaceuticals, transport and stock. They also have a purchase and research department in Denmark, they focus on finding new product and new lines. In Denmark there is also a separate building for the manufacturing of packing materials. There is a commercial lead in every country. The regulatory department in every country has a line manager in Denmark supervising their work. The finance department work together with Germany’s finance department.

4.2 The business strategy from vertical perspective

4.2.1 Internal corporate communication

The communication of the strategy is predominantly one way. The strategy is communicated from the senior manager to the employees in a top-down process. Once a month a meeting with all the employees takes place. At this meeting the business strategy is discussed and reviewed by the senior manager together with the employees. In addition to the monthly meeting the strategy is communicated at the intranet. The employees can also reach the information on a daily basis at their desktop. Furthermore, one workshop has taken place where the employees were allowed to discuss and carry out activities related to the strategy.
The senior manager has developed the strategy and is also responsible for the communication of the strategy. The employees are not a part of the creation nor the re-development of the strategy. They are seen as the performers of the strategy and responsible for the execution of it. There is not a communication strategy nor a communication manager at the company. It is not considered necessary since the company only consists of 65 employees.

Drawing from this the communication of the business strategy is carried out according to the fourth dimension in the internal communication matrix. It is predominantly one-way from the senior manager to the employees (Welch & Jackson, 2007).

### 4.2.2 Description of the strategy

According to the senior manager the purpose of the strategy is to achieve superior financial results. To be successful within parallel import it is important to be first on the market with a new product. When a company is first on the market they can demand a higher price and the profit will increase. The senior manager describes that it is important that everybody within the company works according to this and that every process is as effective as possible. Furthermore, to be cost effective is also a part of the strategy. This is viewed as getting rid of costly and ineffective working methods and to cut cost at all departments. Additionally, the strategy also reflects how to maintain a stable position in the market and to gain a larger market share. This is said to be accomplished by a constant seeking for new products and new ways of doing business at each department. In order to reach the organizational goal, it is believed that sharing knowledge is important. The aim is to share knowledge and information between countries so that the same mistakes are not repeated in each market. Furthermore, there is also important to share best practices and different working methods between countries to achieve greater financial results. The strategy also points out that cooperation and working together as one company is necessary to produce superior results. The senior manager has created values as a part of the strategy. These values are created to reflect the strategy and create a normative culture that directs the employees’ behaviour towards the strategy (See chapter 2.2). The development of the employees is also a part of the strategy. This means that the employees should be able to develop and grow in their position.
4.2.3 Traditional management control

The senior points out that the strategy is created for the employees to follow. The strategy is created to control and influence the actions of the employees at every department. This can be viewed as traditional management control. Within knowledge work it is common to see the employees as professionals that create and structure their own work by self-control. Because the employees are expected to adapt their work according to the strategy it can be described as traditional management control and not control by professionals (See chapter 2.2).

The values are a part of the strategy and they are created to coincide with the business strategy. The values are believed to control the employees’ actions by creating a culture that helps them implement the strategy into their daily work. It can therefore be seen as an identity- and normative control tool that is common within knowledge work. Normative control is mainly focused on creating a social practice that aligning the employees’ identity with the organizations in the same way the values are perceived to create a culture that directs the behaviour according to the strategy. A cultural similar to the strategy directs and affect the employees’ decisions and actions towards it. It is worth mentioning again that this is the way the management sees it. It does not reflect what actually happens in practice. The attempts by management is to actually control the employees by creating rules, orders and norms as a management practice. The strategy is not created to contribute to a working environment that enables the employees to control and manage their own work, that according to recent studies has been shown as more effective within knowledge work (See chapter 2.2)

4.3 The business strategy from horizontal perspective

The results can be divided in two boarder groups that had similar attitudes. One group hade positive attitude towards the strategy and uses the strategy in their work in a wider extent. The other group attitudes were less positive and a lot of the employees struggled with the interpretation of the strategy. The first group can be viewed in terms of traditional management control. The second group can be viewed in terms of horizontal operative control. Some of them can also be viewed as professionals according to recent management control theories since they manage and structure their own work. The first group mainly
consist of the commercial department, purchase and research. The second group consist of the pharmacists that handle regulatory and quality related issues.

**4.3.1 Traditional management control**

Rules, orders and norms are created to control and direct the employees’ behaviour according to traditional management theories. The senior management has created the business strategy to influence employees’ actions at the company. Within commercial department, purchase and research a lot had incorporated the strategy in their own work and therefore can be seen as controlled in a traditional way. They follow the directives given from the senior manager to a high degree (See chapter 2.2).

*Before, each country thought mostly about themselves and not on the greater good of the business. There was competition between the countries before but this has changed. Now we divide the resources between the countries and chose the most profitable country rather then fight for your own market.*

*Sometimes I find a line I don’t think we should have anymore. Perhaps due to price change, availability change or expiry issues. Then I make suggestions according to the information I have received. In a meeting today for example we agreed on one or two products we think we should stop purchasing.*

*The strategy is about for me to expand to new areas and look at new product lines and new markets. This will increase our position and increase our market share.*

These quotes show that the employees describe their work both as cost effective and based on cooperation. Furthermore, it is believed that the core business is to constant seek for new products and markets. These interpretations coincide with the senior manager’s view of the business strategy. Furthermore, the senior manager tries to influence the employee to work across countries and to share best practices between the countries. This is something that is evident in how the employees describe their work.

*On some of the products there might be some changes regarding the usage on the market. Perhaps there is another product on the market that is competing with our product. If somebody acknowledge this, it is important to share the information with the other countries.*
If we see this happening in our market it would be necessary to share the information with the other countries so they can perform some risk management.

We try to talk about the strategy with colleagues in other countries, especially in Germany. We then get to talk about how we work and also learn how other work. To see if there is something we could change and learn from Germany. They have knowledge we don't have.

Based on this it can be assumed that the employees interpret some part the strategy in the same way as the management. They describe their focus on sharing knowledge to help other countries. They also focus on spreading best practice, or rather gaining best practice, to improve their work and find new ways of doing business.

Some employees questioned some parts of the strategy. For example, some employees could not interpret cut the rotten banana in their work. Mainly because they work with finding new products and not removing old ones. This shows us that some did not see it as the employees’ job to be cost effective other than regarding the products. This is something that differs from the senior manager’s view. The aim is to spread cost awareness in every working task. This is not an order that the employee does not follow nor has translated in to their own terms. The manager either needs to modify the strategy or communicate clearer how the employees should operate cost effective other than with product removals.

I do not think much about cost, I work with new products and finding new lines. Not evaluating old products. Other departments work according to that but not me.

Sharing information and knowledge between the countries are described as very important but less effective. The employees believe that sharing knowledge is crucial for their work but they also believe that they are depended on other departments knowledge sharing.

Even though that we try to work with this, like sharing information and so on, it does not mean that the other countries do. We have faced problems when the process has changed in another country and they don’t inform us about that. This affect our work as well; we then carry on working according to old procedures.
Sometime it happens that we are forgotten in Sweden, a bit left out. Even though we try to inform the managers in Denmark about our problems nothing happens.

This means that the communication between employees at different departments is described to be insufficient. They are asking for more communication between departments. This suggest that more horizontal communication is something that the employees desire. It also suggests that employees are depended on other departments ways of working and ways of sharing knowledge. It means that the employees might have a hard time following the strategy if other employees don’t communicate with them. For example, the sales department might have a hard time saving money and working as fast as possible if they don’t have information about changes in other countries that affect their work. The management should therefore promote a focus on communication between department on the horizontal level in a wider extent. Perhaps by designing an information system where the recent updates always are communicated from every department. An information system that allows all the employees to enter messages and not only the management. By doing so other departments could adopt the recent changes in to their work and follow the strategy to the letter again.

4.3.2 Horizontal control and self-management

Complex and ambiguous organizations require a greater reliance on self-management and self-control. This was highly visible among the pharmacists since they did not find the business strategy suitable for their own work and therefore rejected it (See chapter 2.2).

Somebody works according to the strategy, but not me. I am not even sure I fully know the strategy. Like I know how other departments work according to this, like how they re-evaluate products and so on. But this is nothing I can do in my work....Like when I proofread packing instructions, this is something that needs to be done, how is that suppose to cut the costs and fasten the time to market.

We just work according to the musts in our department, since we are depended on other external agencies we are not able to work according to some of the factors in the strategy.

This shows us that a lot of the pharmacist did not think the strategy suited their work. They found it impossible to incorporate in their work and worked according to what they believed was the best way for their duties.
Drawing from the finding Kärreman and Rennstams three steps from vertical to horizontal control can also be applied. First the constructive disobedience is visible. They challenge the directions given by the management in favour of what is more productive in their work. They find the accuracy more important than the business strategy. This is not necessarily a bad thing since the product will be withdrawn if there are any errors. The second step is the translation of the vertical directives. This can be seen when they focus on the accuracy rather than the speed. Since the errors will effect the profit of the company they choose to focus on that rather than the strategy. The last step is the peer reviewing which is visible in their daily work since they collaborate on the work tasks. Furthermore, if somebody has done something wrong this is often noted by co-workers and the authorities. The errors then need to be corrected before launching. They often evaluate and proofread each other’s work which also can be seen as peer reviewing. Drawing from this we can assume that even though the business strategy is not implemented there is horizontal control. Their work is to complex to be directed by the business strategy and management need to rely on their competence (See chapter 2.2).

There is a lot that has to be done before launching a new product. We need to receive market authorization, proofread packing instructions, doing a production example and so on before we could launch. There is nothing we can do about this even if we want to speed the process. It needs to be done right with no errors.

We receive feedback from the agencies if we have done something wrong, like the reason why we proofread packing instructions.

In our department, we do the Finnish packing instructions but we are not able to proofread it since it is in Finnish, and here we help each other. I also helped Finland to order a production example today.

I don’t talk to the commercial department that much but I talk to my co-workers at regulatory department and we help each other out. My work doesn’t involve commercial issues that much, but since I have the same working tasks as my co-workers we tend to talk much.
These quotas show that the employees describe that they question and translate management directives regarding speed in favour of accuracy in their work. It also shows that they collaborate and communicate in their work which can be seen as a form of peer reviewing (See chapter 2.2).

Furthermore, there is less horizontal control in Finland and Sweden. There is much more line management communication and supervision between the departments than in Denmark. The line manager communicates the strategy to other departments in a wider extent in Finland and Sweden. They have therefore incorporated the strategy a little bit more than in Denmark.

*We now have a greater focus on profit and cost effectiveness than before. We receive a priority list from the commercial department so we know what to focus on and we remove products in a wider extent. But there is just that much we can do, we are still depended on the authorities before launching and we can’t work to fast.*

These descriptions show that some try to implement the strategy in their work. But this is not something done by horizontal control. They receive directions from the line management that they follow. They are therefore controlled in a more traditional way than in Denmark since the follow orders from managers. Questions can be asked if they therefore focus less on the accuracy in favour of cost and speed than in Denmark, and what is the best option if so?

### 4.4 Other findings

Based on the interviews it can be noted some of the employees were satisfied with the communication of the strategy and some were not. Many of those who used the strategy in their work were pleased, and many of those who rejected it were not. Although this may be due to the content of the strategy and not on the communication. The content was believed to be to market oriented and not appropriate for pharmaceutical questions. This could explain the rejection of it. If the strategy is modified to include aspects of accuracy since the industry is depended on the authorizes, the pharmacist might have had a different view of it.

*I do not think the strategy fits my department, since it is mostly sales and money related. We do not pay attention to that in our work.*
Like I think that the strategy influences pretty much all of our work, we can see it on a daily basis. Like when we look at what products to launch, what products to remove and when we divide the products.

The proofreading of packing instructions and market authorizations take time, it is hard to cut the cost and speed the process with this in mind.

This shows that there is a difference in how satisfied the employees are with the strategy, and that it depends on the working tasks. Furthermore, many respondents had their own career agendas and focused on their development in their work. This was something common both among the pharmacists and the sales department. They all wanted to develop in their own position and to gain knowledge that they believed were valuable for their future career.

It is important for me to be able to develop in my work. But I do not think that this is something that is common within the company. Rather something that depends on who your closest manager is. My closest manger invests in my future and let me take great responsibility which is important for me and my career.

I work with a lot of things at the company. I have been loaned to other departments and work groups. I have tried a little bit of everything within my position. So yes, I do see that I have developed in my career. I have learned a lot about this industry here.

These two quotas focus on the individual career agendas of the employees. They describe themselves as professionals within their field seeking knowledge to develop in their profession rather than develop as members of the company. Furthermore, during the interviews it was brought up that it is common with work rotation in this industry. This is common within knowledge work, and a necessity for self-governance since it is based on the competence associated with the profession (See chapter 2.2).
5. Discussion

The findings show that the employees see the business strategy in two different ways. Some rejects the strategy in favour of what they believe is a better working method, and some interpret the strategy the same way the senior manager does.

Everybody employed by the company has complex work tasks and are highly educated. Based on the results of this study we can assume that different types of knowledge work require different types of control mechanisms. This study strengthens Kärreman and Rennstams (2014) concept of horizontal operative control based on the findings from the pharmacists. But is also points out that it is not suitable for all types of knowledge work based on the findings from the commercial and purchase department. This may be due to the fact that the second group’s work is measurable in a wider extent since it is based on sales statistics. It may also be due to the fact that the strategy actually reflected their work tasks. Drawing from this one can assume that the type of directives given from the management affects what type of control is performed. Whether the employees implement it direct in their own work or if they have to translate it to their own terms. One thing can be sure though, the pharmacists work according to what they believe is most important for the firm and it is important to rely on their knowledge due to the complexity of their work task. The findings also strengthen the concept of self-driven professionals within complex industries, they work according to their profession as pharmacist and do not therefore focus so much on market related issues. Future research on the subject is required. To begin with there is a need to study what typed of control suit what type of knowledge work, not all knowledge works are the same. There is also a need to analyse what types of knowledge work that fits Kärreman and Rennstams (2014) three steps of horizontal control and what type of knowledge work that don’t suit the concept. It would be interesting to analyse why the commercial and purchase department don’t question the business strategy or re-interpret it in a wider extent. Furthermore, it would be interesting to analyse how the pharmacist uses the strategy in their own work if it reflected their work more. What happens if the manager changes the strategy to include accuracy for example?
This study questions the internal communication matrix. Strategic concepts are not only one-way corporate communication. Strategic questions are brought up at every dimension in the matrix. Employees talk to each other about the strategy both in a direct and indirect manner. For example, the strategy affects the team tasks discussions since the employees’ actions are suppose to reflect the strategy. One can therefore assume that the strategy is something that is communicated at all levels, even if the employees choose not to follow the directives. Although the matrix is a good analytic tool to follow the communication flow in a company. Using the matrix, a clear view of who spoke to who and about what could be accomplished. Based on this study the content of what is communicated at every dimension differs from the matrix. Strategic questions are communicated between employees and not just by the management in a one-way process. This challenges the matrix concept that strategic issues only occur at the corporate communication dimension (See chapter 2.3).

Prior studies concerning strategic communication points out that employees should be a part of the re-development of the strategy. This makes it easier for the employees to understand and use it. This is something visible in this study as well. If the pharmacist were a part of the re-development they could speak in favour of including an accuracy aspect in the business strategy. Although based on the finding regarding horizontal control this might not even me necessary. Since a lot of them are self-controlled and work according to this anyway (See chapter 2.3).

This study also strengthens the concept of using practice theory for understanding organizational phenomena. There was a difference between how the management viewed the strategy and what actually happened in practice. When talking about organizational behaviour it is important to include the employees and and the interaction that happens in the practice, hence where the strategy is visible (See chapter 2.1).

One limitation of the study is that only the strategy is analysed. There might be other control mechanisms at the company that the employees interpret in a different manner. This means that the pharmacists might not question other directives other than the strategy given from the management. It also means that even if the commercial, purchase and research department are controlled by the strategy it does not mean that they are controlled by other functions. Although this was not the aim with the thesis, the aim was to investigate the business strategy according to horizontal operative control. It would be interesting to investigate other control
functions at the same company to see if these patterns are general for all control functions or only the business strategy.
6. References


